



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0556	<b>Title:</b>	Require verification of work authorization status
<b>Primary Sponsor:</b>	MacLaren, Gary	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$40,506	\$17,718	\$18,161	\$18,615
Other	\$135,369	\$59,707	\$60,981	\$62,287
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$40,506)</u>	<u>(\$17,718)</u>	<u>(\$18,161)</u>	<u>(\$18,615)</u>

#### Description of fiscal impact:

##### **Department of Administration**

This bill proposes that no payments shall be made to a state employee or contractor unless the eligibility of the employee, contractor and the contractor's employees has been verified through the federal E-Verify system. An estimated cost of \$27,625 for the 2011 biennium using proprietary funds for the purchase of software and maintenance is assumed to be needed for compliance.

##### **Commissioner of Higher Education**

There would be state general fund participation that would have negative fiscal impact.

### FISCAL ANALYSIS

#### Assumptions:

1. Some general information about E-Verify from various federal websites:

- a. E-Verify is a free web-based system that electronically verifies the employment eligibility to ensure that workers are authorized to work in the U.S. E-Verify is a partnership between the U.S. Department of Homeland Security (DHS) and the Social Security Administration (SSA). The U.S. Citizenship and Immigration Services (USCIS) oversees the program.
  - b. E-Verify works by allowing participating employers to electronically compare employee information taken from the Form I-9 (the paper-based employee eligibility verification for used for all new hires) against more than 425 million records in SSA's database and more than 60 million records in DHS immigration database.
  - c. E-Verify is currently the only means available electronically for State Workforce Agencies to verify the employment eligibility of prospective workers, according to USCIS.
  - d. Federally, an employer's participation in E-Verify is voluntary and is currently free to employers.
2. Regarding state contractors, the department assumes that the procurement process would require the contractor in writing to ensure the contractor's and the contractor's employees' work status has been confirmed through E-Verify and to provide supporting documentation of this fact. A contract could not be signed unless the contractor provided this information.
  3. Regarding state employees, there are 2,500 new hires annually in state government and approximately 13,500 state employees at any given time.
  4. To comply with this bill, a method would be needed to ensure that the department does not make payment to state employees without positive E-Verify confirmation. The department assumes that automated software would be the most effective and efficient method.
  5. Currently, there are several recruiting and selection software applications which exist that automatically interface with E-Verify. The estimated cost is \$18,875 in FY 2010, and \$8,750 annually for maintenance and/or licensing in FY 2011 through FY 2013.
    - a. The department assumes the software would submit an E-Verify request and receive either a confirmation report or non-confirmation report which would be stored electronically.
    - b. Through a translate system, the software's confirmation reports would be uploaded into SABHRS' employee records. Any pending payments to state employees would require a positive edit check for the confirmation report.

### **Commissioner of Higher Education**

6. The MUS would include a provision in contracts stating the contractor is responsible for verifying their own employees through the use of e-Verify system of the U.S. Department of Homeland Security.
7. It is assumed e-Verify would be done before the contract is awarded so that we are not in a position of owing a contractor for work, yet unable to pay per state law. 2.00 FTE would be hired to implement the bill with an annual salary of \$22,630 + \$6,370 benefits for a total cost of \$58,000. Costs are assumed to inflate 2.5% per year.
8. HB 556 would require all existing employees to be run through the e-Verify system. A one-time set up cost of \$90,000 would be incurred by the MUS to hire temporary personnel and pay overtime to verify approximately 10,000 employees, including work study students, student labor, and graduate assistants.
9. It is assumed there will be follow-up time necessary to resolve employees not verified. Following up on mismatch many times takes longer than the original process. The MUS hires between 240-600 or more new employees per month. E-Verify will create an incremental workload, a portion can be borne by existing staff, but it is estimated overtime of \$9,000 will be necessary. Costs are assumed to inflate 2.5% per year.
10. It is assumed 60% of the costs would be charged to the current unrestricted fund.
11. The state general fund would participate at 43% of the current unrestricted costs.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Administration</b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$8,750	\$8,750	\$8,750	\$8,750
Equipment	\$10,125	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$18,875</b>	<b>\$8,750</b>	<b>\$8,750</b>	<b>\$8,750</b>
<b><u>Funding of Expenditures:</u></b>				
Other	\$18,875	\$8,750	\$8,750	\$8,750
<b>TOTAL Funding of Exp.</b>	<b>\$18,875</b>	<b>\$8,750</b>	<b>\$8,750</b>	<b>\$8,750</b>
 <b><u>Fiscal Impact:</u></b>				
<b>Commissioner of Higher Education</b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$157,000	\$68,675	\$70,392	\$72,152
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$40,506	\$17,718	\$18,161	\$18,615
Other-MUS Other funding	\$62,800	\$27,470	\$28,157	\$28,861
Other-MUS CUF	\$53,694	\$23,487	\$24,074	\$24,676
<b>TOTAL Funding of Exp.</b>	<b>\$157,000</b>	<b>\$68,675</b>	<b>\$70,392</b>	<b>\$72,152</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$40,506)	(\$17,718)	(\$18,161)	(\$18,615)
Other-MUS Other funding	(\$62,800)	(\$27,470)	(\$28,157)	(\$28,861)
Other-MUS CUF	(\$53,694)	(\$23,487)	(\$24,074)	(\$24,676)
Other	(\$18,875)	(\$8,750)	(\$8,750)	(\$8,750)

**Technical Notes:**

1. The Society for Human Resource Management (SHRM) has commented that E-Verify cannot detect many types of document fraud or identity theft because it cannot confirm the identity of the individual presenting the documents.
2. A report prepared by SHRM and the Human Resource Initiative Coalition states that E-Verify relies on the SSA's database, but that "the [SSA] database has an error rate of 41 percent, according to a report by the SSA's inspector general."
3. Any errors in the state's or SSA's databases (such as typos, name changes, transposed ID numbers, etc.) may create a potential risk of delayed payments to payees until resolved.
4. As database systems evolve, they are often replaced by upgraded systems. The possibility therefore exists that E-Verify (in name) could be replaced. To address this potential, we suggest considering modifying the language contained in this bill, replacing "E-Verify" with "E-Verify or an equivalent federal employment database verification system".
5. Currently, the E-Verify system is free to employers. It is unknown if a fee will be assessed in the future.
6. From an internal control perspective this should be addressed at the time of hiring an employee and contracting with a contractor. As a result it would be most effective to address this issue in the sections of law relating to contracting and hiring. The payment process is removed, at some times far removed, from the point of hire or contracting where the related control should exist.
7. Contractors could easily circumvent this statute by insuring their list of employees at the time of contracting with the state does not include illegal aliens. After receiving the contract the contractor could then hire illegal aliens and employee these until contract completion and still legally receive payment from the state because the legal control point is at the time of hire.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*